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SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [MV](#)

SUBJECT: MALDIVIAN DEPUTY FM ASKS US TO RECONSIDER LDC GRADUATION STANCE

REF: A) 2003 State 348197 B) 2003 New York 3228

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1.(SBU) Summary: Maldivian Deputy Foreign Minister Shihab delivered a copy of FM Jameel's response to Secretary Powell on the issue of LDC graduation for the Maldives. The GORM believes the US offer of a two year adjustment period is insufficient, and asks the US to consider a recent UNCTAD study on the effects of graduation and to review its position. Post said the US unlikely to change its position, but hopes to work with the GORM to address specific concerns. End summary.

2.(SBU) GORM Deputy Minister of Foreign Affairs Hussain Shihab delivered a copy of FM Jameel's response (full text at para 5 below) to Secretary Powell's December 29 letter (Ref A) on LDC graduation during a courtesy call with the Ambassador on February 2. Shihab indicated the original had been sent directly to Washington. The letter outlines the GORM's continued concern over the prospect of graduating from LDC status. While Jameel assures the Secretary the Maldives is not opposed in principle to

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graduation, it has yet to outgrow the "need for the kind of assistance and preferences made available to countries on the LDC list." It refers to a recent UNCTAD study that outlines particular preferences that should be extended and asks that the UNCTAD study be given due consideration by the members of the ECOSOC. The letter further complains that the US offer of up to a two-year adjustment period is insufficient and requests the US reconsider its position on GORM graduation.

3.(SBU) Shihab reiterated the main points of the letter, highlighting the GORM's desire for an "expert group" to be appointed to consider the affects of graduation on the Maldives' economy and to advise the GORM during the interim period. The Ambassador recounted US concerns about the integrity of the graduation process and asked if the GORM had a specific timeframe for adjustment in mind. Shihab made no specific proposal, but indicated two years was too short. Econchief said the US position was firm and based solely on the integrity of the process, but that the US would like to discuss specific issues with the GORM to see if there was any scope for helping allay specific concerns.

4. (SBU) Comment: We understand the ECOSOC meeting on December 19 (Ref B) took up the graduation issue and that the chair announced its intent to name a facilitator for the issue. It appears the GORM recognizes our concerns regarding the integrity of the graduation process but would like to find a means of extending some of the privileges it receives as an LDC to privileges based on its special circumstances (small, remote islands, not diversified, etc). We continue to ask if there are specific areas of concern that we can help address, but the GORM continues to push for a study of the potential outcomes of graduation. It is in our interest to protect the integrity of the graduation process, but also to ensure that graduates succeed (or at least have every opportunity to succeed). GORM MFA Permanent Secretary Dr. Ahmed Shaheed is reportedly in New York for the upcoming ECOSOC meeting. If possible, we would urge USUN to engage Shaheed and discuss options and timeframes that would make the GORM more comfortable with the graduation process. End Comment.

5. (SBU) Full text of FM Jameel's letter to Secretary Powell. Begin Text:

Excellency,

Thank you for your letter dated 29 December 2003 on the subject of graduation of the Maldives from the list of least developed countries.

I would reassure you that the Maldives has no intention of remaining on the list of least developed countries longer than its(sic) is absolutely necessary for

it do so(sic). We agree that those countries that have outgrown the need for special status can be graduated in accordance with the procedures and processes laid out for that.

The Maldives is in no way opposed to the principle of graduation, but the issue we are raising is that we have not outgrown the need for the kind of assistance and preference that are made available for countries on the LDC list. The specific preferences that need to be continued for the Maldives have been identified by a study carried out by UNCTAD as required by the UN to assess the qualification of Maldives for graduation. The report is now available as a UN document for use by the upcoming resumed session of the ECOSOC. We believe it is imperative that the recommendations made in this document, which have e

been formulated upon the express request of the ECOSOC and the General Assembly, are given due consideration by Member States when they decide to graduate the Maldives. Our view, and that of UNCTAD, is that far from having outgrown the need for special assistance, there are certain categories of preferences that are essential if the Maldives is not to suffer serious economic damage.

We are convinced that a two year period is too short to adjust to the loss of LDC benefits, for an economy with a GDP of only about 600 million dollars and with no immediate prospect of expansion or diversification. I have no doubt that the flexible and pragmatic approach inherent in the US position expressed in your letter would be translated to a really practical time-frame and sequence for graduation. If the question of graduation is approached in a manner fully consistent with the rules and procedures stipulated by the General Assembly, the ECOSOC and the CDP, rather than on a selective basis, we believe a fair and workable outcome would be possible.

We have received in the past the support of the US delegation to the ECOSOC in convincing the Council that graduation does not take place before a proper assessment of the costs of graduation is made and ways to address them are determined.

I would, therefore, like to humbly request you to reconsider the current US position on our graduation from the list of LDCs.

I trust that this request would receive your considerate action.

Please accept, Excellency, the assurances of my highest consideration.

Fathulla Jameel

End Text

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